

Message Text

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INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

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PASS EXIMBANK

EA PASS AMBASSADOR SNEIDER

HONG KONG FOR REGFINATT

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TAGS: OVIP, EFIN, KS

SUBJECT: VISIT OF EXIMBANK CHAIRMAN STEPHEN M. DUBRUL
AND STAFF AUGUST 1-6, 1976

REF: (A) STATE 125346, (B) SEOUL 4848

SUMMARY: DUBRUL'S VISIT PROVIDED A TIMELY AND EFFECTIVE
MEANS OF CLARIFYING EXIMBANK POLICIES TOWARD KOREA AND
AFFORDED THE CHAIRMAN AN EXCELLENT OPPORTUNITY TO ACQUIRE
FIRSTHAND KNOWLEDGE OF KOREAN DEVELOPMENT PLANNING AND
TO VIEW SOME OF THE MORE IMPORTANT ACTIVITIES OF THE
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BANK IN KOREA. KOREAN OFFICIALS HAVE EXPRESSED PLEASURE

AT BEING ABLE TO FAMILIARIZE DUBRUL WITH KOREAN ECONOMIC ACCOMPLISHMENTS AND SATISFACTION THAT THE CHAIRMAN FORESEES A ROLE FOR THE BANK IN KOREA'S FOURTH FIVE-YEAR PLAN. CERTAIN FOLLOW-UP ACTIONS WERE AGREED TO BY MR. DUBRUL AND DEPUTY PRIME MINISTER NAM DUCK WOO (MC/R: NAM TOK-U). END SUMMARY

1. CHAIRMAN DUBRUL AND MS. HUNT BEGAN THEIR PROGRAM WITH EXTENSIVE DISCUSSIONS WITH DEPUTY PRIME MINISTER (DPM) NAM DUCK WOO AND OTHER ROKG OFFICIALS. THEY TOURED A NUMBER OF INDUSTRIAL SITES IN THE SOUTHERN AREAS OF THE REPUBLIC, INCLUDING THE POHANG IRON AND STEEL MILL, THE HYUNDAI SHIPYARD, AND JOINED BY MR. HEIDRICH, THE CHANGWON MACHINERY INDUSTRIAL ESTATE AND THE KOREA SHIPBUILDING AND ENGINEERING FACILITIES UNDER CONSTRUCTION AT OKPO. THE PARTY VISITED PANMUNJOM AND THE CHAIRMAN WAS BRIEFED BY EIGHTH ARMY/UNC COMMANDER GENERAL RICHARD G. STILWELL. ADDITIONALLY MR. DUBRUL CONFERRED WITH THE PRIME MINISTER; THE MINISTERS OF FOREIGN AFFAIRS, FINANCE, COMMERCE AND INDUSTRY; THE DIRECTORS OF THE KOREA EXCHANGE, DEVELOPMENT AND EXIM BANKS; AND WITH THE EXECUTIVES OF KOREA'S MAJOR INDUSTRIES AND KOREA ELECTRIC COMPANY (KECO). HE EXCHANGED VIEWS WITH THE AMERICAN CHAMBER OF COMMERCE IN KOREA AND MET THE LEADERS OF THE KOREA-US ECONOMIC COUNCIL.

2. INITIAL PRESENTATIONS BY DPM NAM AND ECONOMIC PLANNING BOARD (EPB) OFFICIALS INCLUDED A REVIEW OF KOREA'S PAST DEVELOPMENT AS WELL AS AN OVERVIEW OF KOREA'S FOURTH FIVE-YEAR PLAN. DUBRUL RECEIVED A PRELIMINARY OUTLINE AND SUMMARY DRAFT OF THE PLAN FOR FURTHER STUDY BY THE EXIMBANK STAFF. IN THEIR PERSONAL DISCUSSIONS DUBRUL AND NAM AGREED THAT THE CHAIRMAN SHOULD REVIEW THE MATERIALS AS HE CONTINUED HIS INSPECTION TOUR AND CONSULTATIONS SHCHEDULE, AND, BEFORE HIS DEPARTURE, THE TWO WOULD MEET AGAIN FOR A MORE DETAILED EXCHANGE OF VIEWS. CHAIRMAN DUBRUL EXPLAINED THAT HIS LETTER (REFTEL) TO NAM HAD BEEN PARTIALLY INTENDED TO PROVIDE A RESPITE FROM NEW ACTIVITY IN ORDER TO REVIEW THE BANK'S POSITION IN LIMITED OFFICIAL USE

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KOREA. THAT REVIEW AND INTERNAL ORGANIZATIONAL ADJUSTMENTS HAVE NOW BEEN COMPLETED AND THE TIME WAS PROPITIOUS FOR HIS VISIT. DUBRUL EXPLAINED THAT THE BANK WISHED TO OPERATE ON A PLANNING CYCLE OF LONGER THAN ONE YEAR AT A TIME. HE EXPRESSED THE HOPE THAT THE BANK AND EPB MIGHT GET AWAY FROM THE CONCEPT OF AN ANNUAL LIST OF PRIORITY NEEDS AND CONSULT TOGETHER ON LONGER TERM ACTIVITIES. OBVIOUSLY,

HE NOTED, ROK FIVE YEAR PLANNING WOULD FACILITATE SUCH COOPERATION. DUBRUL DESCRIBED POWER GENERATION AS THE BANK'S BIGGEST ACTIVITY AND EXPRESSED BELIEF THAT IT WAS IN THAT FIELD THAT THE BANK COULD MOST EFFECTIVELY MESH WITH KOREA'S DEVELOPMENT PLAN. NAM SAID THAT THE ROKG HAD NOT YET DECIDED WHAT BALANCE TO STRIKE ON NUCLEAR VS OTHER MEANS OF POWER GENERATION, BUT WOULD IN THE NEAR FUTURE BE ABLE TO CONVEY ITS VIEWS TO THE BANK. HE EXPRESSED GRATITUDE FOR THE BANK'S APPROVAL OF THE COMBINED CYCLE PLANT AND FOR ACCEPTING KDB GUARANTEES AS CARRYING THE FULL FAITH AND CREDIT OF THE ROKG.

3. THROUGHOUT HIS SUBSEQUENT TALKS, CHAIRMAN DUBRUL EFFECTIVELY EASED THE ANXIETY OF THE KOREAN AND AMERICAN BUSINESS COMMUNITIES WHICH LED TO THE AMCHAM CABLE OF JUNE 21, 1976 (REF B).

4. IN THEIR FINAL SESSION, DPM NAM SUGGESTED TO THE UCHAIRMAN THAT KOREA WOULD LIKE EXIMBANK LOAN SUPPORT OF \$1.5 BILLION OR \$300 MILLION PER YEAR OVER THE SPAN OF THE FIVE YEAR PLAN. THE CHAIRMAN REPLIED THAT IT WOULD BE A MISTAKE TO BE CONCERNED WITH A FIXED AMOUNT OF SO MUCH PER YEAR BECAUSE THERE WOULD INEVITABLY BE A CERTAIN AMOUNT OF "BUNCHING" AND AMOUNTS WOULD DEPEND ON THE BANK'S RESERVES AND THE TYPES OF LOANS REQUIRED. HOWEVER, DUBRUL OBSERVED, NAM'S TOTAL FIGURE "WAS NOT OUT OF BOUNDS." HE SAID HE WISHED TO DISCUSS IT, AND THE OTHER MATERIALS THAT EPB HAD PROVIDED, WITH THE BANK'S DIRECTORS. DUBRUL NOTED THAT A ONE YEAR EXTENSION HAD BEEN REQUESTED ON FINANCING FOR KORI II AND THAT "WE" WOULD SUPPORT THAT PROJECT. BUT DUBRUL BELIEVED IT PRUDENT TO WAIT AND REVIEW IT IN LIMITED OFFICIAL USE

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TERMS OF THE OVERALL ROK POWER PICTURE, RATHER THAN JUST TO APPROVE IT AUTOMATICALLY. THEREFORE, IT IS CRITICAL, IN THE BANK'S VIEW, TO KNOW THE FORTH-COMING DECISION BY THE ROKG ON JUST WHAT ITS OVERALL POWER STRATEGY WILL BE. NAM REPLIED THAT A DECISION WOULD BE MADE WITHIN 30 DAYS OR SO AND WOULD BE TRANSMITTED TO DUBRUL THROUGH THIS EMBASSY. THE DPM ASKED ABOUT KECO'S REQUEST FOR A LOAN FOR THE RELOAD OF KORI I. DUBRUL NOTED THAT THE BANK IS DEVELOPING ITS OWN WORLDWIDE PACKAGE APPROACH AND STANDARDS ON NUCLEAR FINANCING (INCLUDING THE VERY COMPLEX QUESTION OF RELOADS) AND EXPECTS THAT INTER-AGENCY INPUTS PARTICULARLY BY ERDA WILL BE COMPLETED IN ABOUT THIRTY DAYS. HE OBSERVED THAT THE TIMING OF THE ROKG POLICY DECISION WILL SATISFACTORILY COINCIDE

WITH THE US SCHEDULE. DUBRUL THOUGHT THAT IT WOULD BE PREMATURE TO ATTEMPT TO ARRANGE RELOAD FINANCING THIS SUMMER AND THAT AUTUMN WOULD BE BETTER. HE STATED THAT THE BANK PERCEIVED AN OBLIGATION TO PROVIDE RELOAD FINANCING PACKAGE WHERE THE U.S. HAS SOLD THE PLANT. THE TIMING ON THAT WOULD REALLY DEPEND ON ERDA INPUT WHICH DUBRUL EXPECTED BY EARLY SEPTEMBER.

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5. TURNING TO THE EPB PRIORITY LIST, DUBRUL SAID THAT IT WOULD BE PREFERABLE TO LOOK THROUGH MORE THAN JUST SHOPPING LISTS AND SUGGESTED SEMIANNUAL REVIEWS BETWEEN EXIMBANK AND EPB ON MATTERS WARRANTING CLOSE ATTENTION. HE PROPOSED THAT EPB SEND APPROPRIATE REPRESENTATIVES TO WASHINGTON AT AN EARLY DATE TO BRIEF THE EXIMBANK DIRECTORS AND STAFF ON THE PLAN AS THEY HAD DONE FOR HIM. DUBRUL OBSERVED THE TWO SHOULD SHARE THEIR ASSUMPTIONS AND WORK TOGETHER ON GROUPS OF PROJECTS INFORMALLY BEFORE THE BANK HAD TO TAKE FORMAL POSITION. NAM ACCEPTED THE CHAIRMAN'S PROPOSALS AND PROMISED

TO SUPPLY THE BANK WITH INFORMATION AND SHOPPING
LISTS EVEN ON MATTERS IN WHICH IT MAY NOT BE
SEEKING BANK SUPPORT. THE CHAIRMAN OBSERVED THAT THEN
THEY COULD DECIDE TOGETHER WHAT MIGHT BE MOST SUITABLE
FOR EXIM FINANCING AND WHAT COULD BE FINANCED FROM
OTHER SOURCES. DUBRUL VOLUNTEERED TO PROVIDE NAM
WITH A "PAPER THAT WILL LAST MORE THAN A MONTH" AND
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STATED THAT THE ROK FIVE YEAR PLAN RAISES NO
FEAR FOR THE BANK.

6. NAM ASKED DUBRUL TO GIVE SPECIAL ATTENTION TO THE
PTA PLANT PROJECT (\$59 MILLION) AND THE CHAIRMAN
OBSERVED THAT THE BANK HAS GIVEN AMOCO SOME REQUIRE-
MENTS TO WHICH A RESPONSE IS DUE. HOWEVER, IF AMOCO
DOES RESPOND FAVORABLY AS HE HAD BEEN INFORMED THEY
WILL, DUBRUL OBSERVED THAT PROJECT WOULD BE A "GOOD
ONE" TO GO FORWARD. HE PROMISED TO LOOK INTO THE
STATUS OF THE PTA PROJECT AND INFORM NAM AFTER HIS
RETURN TO WASHINGTON.

7. IN SUMMARY, CHAIRMAN DUBRUL OBSERVED THAT POWER
APPEARS TO BE OF THE FIRST PRIORITY FOR KOREA AND
COMMON APPROACH IS NECESSARY. HE STATED HIS INVITA-
TION FOR KECO REPRESENTATIVES TO VISIT THE BANK'S
ENGINEERING DEPARTMENT AND TO MEET WITH ITS DIRECTORS
IN ORDER TO SHORTEN TIME AND INCREASE MUTUAL UNDERSTANDING.
HE STATED THAT THE BANK WISHES TO "SEE KOREA THROUGH"
FINANCIALLY ON ITS ENERGY PROBLEMS AND USE WHATEVER
IS LEFT FOR OTHER PROJECTS. DUBRUL REITERATED A
PROMISE THAT SHOULD THE ROKG DECIDE TO REDESIGN KORI
II FROM 600 UP TO 900 MEGAWATTS, HE WOULD REVIEW
ADMINISTRATIVE QUESTIONS, SUCH AS WHETHER IT WOULD
BE NECESSARY TO SEEK CONGRESSIONAL REAPPROVAL, AND
INFORM DPM NAM.

8. SUBSEQUENTLY, THE ECOUNS REVIEWED WITH ASSISTANT
EPB MINISTER FOR ECONOMIC COOPERATION S.K. LEE
(MC/R: LI SUN-KI) OUR UNDERSTANDING OF WHAT THE
CHAIRMAN AND DPM HAD AGREED. ALTHOUGH PRESENT AT
THE SECOND MEETING, LEE HAD NOT BEEN ABLE TO HEAR ALL
THAT WAS SAID. HE EXPRESSED GREAT SATISFACTION WITH
THE VISIT, AND HAD BEGUN TO REVIEW PREPARATIONS FOR
THE FIRST SEMI-ANNUAL REVIEW IN WASHINGTON, WHICH
IT APPEARED THEY WOULD TRY TO HOLD IN LATE SEPTEMBER.
BY THEN EPB WOULD HAVE HAD ITS INTERMINISTERIAL REVIEW
OF POWER PLANS AND WOULD ALSO HAVE DEVELOPED THE BROAD

LIST OF PROJECTS WHICH IT THOUGHT WORTH DISCUSSING

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WITH EXIM. EPB WOULD, HOWEVER, NEED TO WORK OUT
WHAT ROLE MINISTER YANG IN THEIR WASHINGTON EMBASSY
WOULD HAVE.

9. EMBASSY COMMENT: THE VISIT OF CHAIRMAN DUBRUL
AND PARTY RESOLVED THE UNCERTAINTIES CONCERNING
EXIMBANK'S ACTIVE PARTICIPATION IN KOREA'S FOURTH
PLAN CREATED BY THE EXIMBANK LETTER TO DPM NAM. MORE-
OVER, IT ESTABLISHED A MODUS OPERANDI THAT OFFERS TO
BE A REAL IMPROVEMENT OVER PAST PROCEDURES, ONCE ROKG
PLANNERS FULLY UNDERSTAND HOW IT CAN WORK. THUS, WE
BELIEVE THAT THE DUBRUL VISIT WAS NOT ONLY A
PLEASURE BUT A SUCCESS IN IMPROVING A LONG AND CLOSE
RELATIONSHIP BETWEEN THE ROKG AND EXIM. WE HOPE THAT
THE MOMENTUM CAN BE MAINTAINED THROUGH CHAIRMAN'S
EARLY RESPONSE TO QUESTIONS RAISED BY ROK AND
THROUGH EARLY MEETING BETWEEN BANK AND ROK.
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